

Myton City Corporation  
Duchesne County, Utah

**ANNUAL FINANCIAL REPORT**

For the Year Ended June 30, 2006

Myton City Corporation  
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June 30, 2006

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# **AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

Members of  
AMERICAN INSTITUTE  
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and  
UTAH ASSOCIATION  
OF CERTIFIED PUBLIC ACCOUNTANTS

### **Independent Auditors' Report**

Myton City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information, of Myton City as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Myton City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and aggregate remaining fund information, of Myton City as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2006 on our consideration of the Myton City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and the required supplementary schedules, see Table of Contents for page numbers, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

**Aycock, Miles & Associates, CPAs**

November 28, 2006

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Myton City Corporation  
**Management's Discussion and Analysis**  
June 30, 2006

As management of Myton City Corporation (the City), we offer readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the fiscal year ended June 30, 2006.

**FINANCIAL HIGHLIGHTS**

- \*Total net assets for the City as a whole increased by \$97,739.
- \*Total unrestricted net assets for the City as a whole increased by \$111,973.
- \*Total net assets for governmental activities increased by \$36,264.
- \*Total net assets for business-type activities increased by \$61,475.

**BASIC FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements of Myton City Corporation. The basic financial statements comprise three components: (1) government wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The statement of activities is presented on two pages. The first page reports the extent to which each function or program is self-supporting through fees and intergovernmental aid. The second page identifies the general revenues of the City available to cover any remaining costs of the functions or programs.

Myton City Corporation  
**Management's Discussion and Analysis**  
June 30, 2006

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because of the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for government funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the government fund statement of the revenues, expenditures, and changes in fund balances provide reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City's general fund, debt service fund, and capital projects fund are each reported as major governmental funds.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided to demonstrate legal compliance with the adopted budget for the general fund.

The basic governmental fund financial statements can be found later in this report; see Table of Contents.

Proprietary funds. The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for business-type activities. The utility fund accounts for the water, sewer, and garbage operations. The housing fund accounts for the housing operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise funds are considered major funds of the City.

The proprietary fund financial statements can be found later in this report; see Table of Contents.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are reported later in this report; see Table of Contents.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City.

**Myton City Corporation**  
**Management's Discussion and Analysis**  
June 30, 2006

**FINANCIAL ANALYSIS**

**Myton City Corporation's Net Assets**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
Current and other assets	\$ 211,434	143,819	369,244	275,207	580,677	419,026
Net capital assets	<u>2,223,977</u>	<u>2,248,100</u>	<u>1,360,910</u>	<u>1,419,524</u>	<u>3,584,888</u>	<u>3,667,624</u>
<b>Total assets</b>	<b><u>2,435,411</u></b>	<b><u>2,391,919</u></b>	<b><u>1,730,154</u></b>	<b><u>1,694,731</u></b>	<b><u>4,165,565</u></b>	<b><u>4,086,650</u></b>
Current liabilities	26,279	19,050	82,882	47,909	109,160	66,959
Long-term liabilities	-	-	<u>425,830</u>	<u>486,855</u>	<u>425,830</u>	<u>486,855</u>
<b>Total liabilities</b>	<b><u>26,279</u></b>	<b><u>19,050</u></b>	<b><u>508,712</u></b>	<b><u>534,764</u></b>	<b><u>534,991</u></b>	<b><u>553,814</u></b>
Net assets:						
Capital assets, net of debt	2,223,977	2,248,100	874,055	898,794	3,098,032	3,146,893
Restricted	47,646	29,376	155,413	139,056	203,059	168,432
Unrestricted	<u>137,509</u>	<u>95,393</u>	<u>191,974</u>	<u>122,118</u>	<u>329,483</u>	<u>217,511</u>
<b>Total net assets</b>	<b><u>\$2,409,132</u></b>	<b><u>2,372,868</u></b>	<b><u>1,221,442</u></b>	<b><u>1,159,967</u></b>	<b><u>3,630,574</u></b>	<b><u>3,532,836</u></b>

As noted earlier, net assets may serve over time as a useful indicator of financial position. Total assets exceeded total liabilities at the close of the year by \$3,630,574, an increase from the previous year of \$97,739. This change is equivalent to the net income for the year, in private sector terms.

Total unrestricted net assets at the end of the year are \$329,483, which represents an increase of \$111,973 from the previous year. Unrestricted net assets are those available to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

The amount of current and other assets represent the amounts of cash and receivables on hand at the end of each year. Other liabilities are the amounts of current and other assets due, at year end, for goods and services acquired.

Changes in capital assets are the result of the difference, in the current year, of the cost of acquisition of capital assets and any depreciation charges on capital assets. Change in long-term debt is the difference in the amount of debt issued and that which has been paid during the year.

Myton City Corporation  
Management's Discussion and Analysis  
June 30, 2006

**FINANCIAL ANALYSIS (continued)**

**Myton City Corporation's Changes in Net Assets:**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Current Year</u>	<u>Total Previous Year</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>		
<b>Program revenues:</b>						
Charges for services	\$ 9,000	2,673	218,931	181,396	227,931	184,069
Operating grants	83,556	62,674	2,164	122,916	85,720	185,590
Capital grants	33,300	211,177	-	-	33,300	211,177
<b>General revenues:</b>						
Property taxes	31,997	27,006	-	-	31,997	27,006
Sales tax	126,997	74,661	-	-	126,997	74,661
Other taxes	36,596	17,576	-	-	36,596	17,576
Other revenue	8,503	13,386	58,145	3,271	66,647	16,657
<b>Total revenues</b>	<b><u>329,950</u></b>	<b><u>409,153</u></b>	<b><u>279,240</u></b>	<b><u>307,583</u></b>	<b><u>609,189</u></b>	<b><u>716,736</u></b>
<b>Expenses:</b>						
General government	120,645	76,263	-	-	120,645	76,263
Public safety	45,292	39,971	-	-	45,292	39,971
Streets and highways	114,262	112,306	-	-	114,262	112,306
Parks and recreation	13,486	14,064	-	-	13,486	14,064
Interest on long-term debt	-	70	-	-	-	70
Water	-	-	109,677	85,121	109,677	85,121
Sewer	-	-	49,208	46,372	49,208	46,372
Garbage	-	-	32,011	22,569	32,011	22,569
Housing	-	-	26,869	21,142	26,869	21,142
<b>Total expenses</b>	<b><u>293,686</u></b>	<b><u>242,674</u></b>	<b><u>217,765</u></b>	<b><u>175,204</u></b>	<b><u>511,451</u></b>	<b><u>417,879</u></b>
<b>Change in net assets</b>	<b><u>\$36,264</u></b>	<b><u>166,479</u></b>	<b><u>61,475</u></b>	<b><u>132,379</u></b>	<b><u>97,739</u></b>	<b><u>298,857</u></b>

Total revenues decreased by \$107,546, while total expenses increased by \$93,572. The total net increase for the year of \$97,739 is a decrease from the previous year of \$201,118.

Governmental activities revenues of \$329,950 is a decrease of \$79,203 from the previous year. This is primarily a result of a public safety grant received during the previous year. Governmental activities expenses of \$293,686 is an increase of \$51,011 from the previous year. This is a result of a substantial increase in administrative expenditures.

Business-type activities revenue of \$279,240 is a decrease of \$28,343 from the previous year. This is a result of water grants received during the prior year. Business-type activities expenses of \$217,765 is an increase of \$42,561 from the previous year. This is primarily a result of an increase in water purchased and garbage pickup fees during the current year.

Myton City Corporation  
Management's Discussion and Analysis  
June 30, 2006

**BALANCES AND TRANSACTIONS OF INDIVIDUAL FUNDS**

Some of the more significant changes in fund balances and fund net assets and any restrictions on those amounts are described below:

*General Fund*

The fund balance in the general fund of \$122,078 reflects an increase of \$40,864 from the previous year. Total revenues decreased by \$82,750. Tax revenues, including property taxes and sales taxes increased by \$76,348. Intergovernmental revenues decreased by \$159,090. All other revenues, excluding transfers, decreased by \$186.

Total expenditures decreased by \$133,232. Expenditure changes, by department, excluding capital outlay: administrative increased by \$44,382, public safety (fire and animal control) increased by \$3,924, streets and highways decreased by \$3,786, and parks and recreation decreased by \$740. Total expenditures for capital outlay for all departments decreased by \$177,011.

Transfers out of the fund of \$64,813 increased by \$35,000 over the previous year.

*Utility Fund*

Net increase before transfers was \$58,957. Net assets restricted for debt service and repairs and maintenance amount to \$155,413. Unrestricted net assets amount to \$173,294.

*Housing Fund*

Net increase before transfers was \$2,184. Unrestricted net assets amount to \$18,660.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

There were no changes to the budget during the year.

Myton City Corporation  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Myton City Corporation's Capital Assets (net of depreciation):**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	<u>Total</u>
	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Previous Year</u>	<u>Current Year</u>	<u>Prior Year</u>
<b>Net Capital Assets:</b>						
Land and water rights	\$ 5,469	5,469	33,552	33,552	39,021	39,021
Buildings	193,981	200,279	387,444	394,110	193,981	200,279
Improvements other than buildings	129,911	100,491	-	-	129,911	100,491
Equipment	165,959	181,714	-	-	165,959	181,714
Infrastructure	1,693,501	1,742,307	-	-	1,693,501	1,742,307
Water system	-	-	350,939	368,591	350,939	368,591
Sewer system	-	-	483,420	507,706	483,420	507,706
General plant	-	-	100,535	110,545	100,535	110,545
Work in progress	35,156	17,840	-	-	35,156	17,840
<b>Totals</b>	<b><u>\$2,223,977</u></b>	<b><u>2,248,100</u></b>	<b><u>1,360,910</u></b>	<b><u>1,419,524</u></b>	<b><u>3,192,424</u></b>	<b><u>3,268,494</u></b>

The total amount of capital assets, net of depreciation, of \$3,584,888 is a decrease of \$82,736 from the previous year.

Governmental activities capital assets, net of depreciation, of \$2,223,977 is a decrease of \$24,122 from the previous year.

Business-type activities capital assets, net of depreciation, of \$1,360,910 is a decrease of \$58,614 from the previous year.

Additional information regarding capital assets may be found in the notes to financial statements.

Myton City Corporation  
Management's Discussion and Analysis  
June 30, 2006

**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Myton City Corporation's Outstanding Debt - Revenue Bonds**

	<u>Current Year</u>	<u>Previous Year</u>
<b>Business-type activities:</b>		
Water fund:		
G O Bond 1993A	\$ 27,000	52,000
BOWR Loan 1993C	73,090	75,090
Housing fund:		
Olene Walker Housing Loan 1	261,823	268,698
Olene Walker Housing Loan 2	<u>124,943</u>	<u>124,943</u>
<b>Total outstanding debt</b>	<b><u>\$486,856</u></b>	<b><u>520,731</u></b>

Additional information regarding the long-term liabilities may be found in the notes the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

No significant economic changes that would affect the City are expected for the next year. Budgets have been set on essentially the same factors as the current year being reported.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Myton City Corporation's finances for all those with an interest in the City's finances. Questions concerning any information provided in this report or requests for additional financial information should be addressed to the City Clerk, Myton City, P.O. Box 185, Myton City, Utah 84052 or by phone at (435)722-2711.

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**BASIC FINANCIAL STATEMENTS**

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Myton City Corporation  
**STATEMENT OF NET ASSETS**  
June 30, 2006

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 155,742	185,954	341,696
Receivables	2,334	20,515	22,849
Property taxes receivable	17,945	-	17,945
Due from other governments	<u>35,413</u>	<u>339</u>	<u>35,752</u>
Total current assets	<u>211,434</u>	<u>206,809</u>	<u>418,242</u>
Non-current assets:			
Restricted cash and cash equivalents	-	162,435	162,435
Capital assets:			
Not being depreciated	40,625	38,572	79,197
Net of accumulated depreciation	<u>2,183,353</u>	<u>1,322,338</u>	<u>3,505,691</u>
Total non-current assets	<u>2,223,977</u>	<u>1,523,345</u>	<u>3,747,322</u>
<b>TOTAL ASSETS</b>	<b><u>2,435,411</u></b>	<b><u>1,730,154</u></b>	<b><u>4,165,565</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	13,543	14,835	28,377
Customer security deposits	-	7,022	7,022
Deferred revenues	12,736	-	12,736
Long-term debt due within on year	<u>-</u>	<u>61,025</u>	<u>61,025</u>
Total current liabilities	<u>26,279</u>	<u>82,882</u>	<u>109,160</u>
Non-current liabilities:			
Long-term debt due after one year	<u>-</u>	<u>425,830</u>	<u>425,830</u>
Total non-current liabilities	<u>-</u>	<u>425,830</u>	<u>425,830</u>
<b>TOTAL LIABILITIES</b>	<b><u>26,279</u></b>	<b><u>508,712</u></b>	<b><u>534,991</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	2,223,977	874,055	3,098,032
Restricted:			
Debt service	-	105,951	105,951
Repairs and maintenance	-	49,462	49,462
Capital projects	47,646	-	47,646
Unrestricted	<u>137,509</u>	<u>191,974</u>	<u>329,483</u>
<b>TOTAL NET ASSETS</b>	<b><u>2,409,132</u></b>	<b><u>1,221,442</u></b>	<b><u>3,630,574</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$2,435,411</u></b>	<b><u>1,730,154</u></b>	<b><u>4,165,565</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF ACTIVITIES**  
For the Year Ended June 30, 2006

	<u>Expenses</u>	<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue (To Next Page)</u>
<b><u>FUNCTIONS/PROGRAMS:</u></b>					
<b>Primary government:</b>					
Governmental activities:					
Administration	\$120,645	7,995	22,720	-	(89,931)
Public safety	45,292	-	19,894	-	(25,399)
Highways & public improvements	114,262	-	40,943	33,300	20,819
Parks, recreation & public property	<u>13,486</u>	<u>1,005</u>	<u>-</u>	<u>-</u>	<u>(12,481)</u>
<b>Total governmental activities</b>	<b><u>293,686</u></b>	<b><u>9,000</u></b>	<b><u>83,556</u></b>	<b><u>33,300</u></b>	<b><u>(167,830)</u></b>
Business-type activities:					
Water	190,896	190,142	-	2,359	1,605
Housing	<u>26,869</u>	<u>28,789</u>	<u>-</u>	<u>-</u>	<u>1,920</u>
<b>Total business-type activities</b>	<b><u>217,765</u></b>	<b><u>218,931</u></b>	<b><u>-</u></b>	<b><u>2,164</u></b>	<b><u>3,330</u></b>
<b>Total primary government</b>	<b><u>\$511,451</u></b>	<b><u>227,931</u></b>	<b><u>116,856</u></b>	<b><u>2,359</u></b>	<b><u>(164,499)</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF ACTIVITIES (continued)**  
For the Year Ended June 30, 2006

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>CHANGE IN NET ASSETS:</b>			
Net (expense) revenue (from previous page)	\$ <u>(167,830)</u>	<u>3,330</u>	<u>(164,499)</u>
<b>General revenues:</b>			
Property taxes	16,857	-	16,857
Fee in lieu of property tax	15,141	-	15,141
Sales taxes	126,997	-	126,997
Other taxes	36,596	-	36,596
Unrestricted investment earnings	5,735	8,145	13,880
Gain (loss) on asset retirement	-	50,000	50,000
Miscellaneous	<u>2,767</u>	<u>-</u>	<u>2,767</u>
<b>Total general revenues</b>	<b><u>204,094</u></b>	<b><u>58,145</u></b>	<b><u>262,238</u></b>
 Change in net assets	 36,264	 61,475	 97,739
Net assets - beginning	<u>2,372,868</u>	<u>1,159,967</u>	<u>3,532,836</u>
Net assets - ending	<b><u>\$2,409,132</u></b>	<b><u>1,221,442</u></b>	<b><u>3,630,574</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
June 30, 2006

	General Fund	Debt Service	Capital Projects	Total Governmental Funds
<b>ASSETS:</b>				
Cash and cash equivalents	\$ 97,091	11,005	47,646	155,742
Accounts receivable - other	2,334	-	-	2,334
Property tax receivable	17,945	-	-	17,945
Due from other governments	<u>35,413</u>	<u>-</u>	<u>-</u>	<u>35,413</u>
<b>TOTAL ASSETS</b>	<b><u>152,783</u></b>	<b><u>11,005</u></b>	<b><u>47,646</u></b>	<b><u>211,434</u></b>
<b>LIABILITIES:</b>				
Accounts payable	13,543	-	-	13,543
Deferred revenues	<u>17,162</u>	<u>-</u>	<u>-</u>	<u>17,162</u>
<b>TOTAL LIABILITIES</b>	<b><u>30,705</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>30,705</u></b>
<b>FUND BALANCES:</b>				
Reserved for:				
Capital projects	-	-	47,646	47,646
Unreserved, reported in:				
General fund	122,078	-	-	122,078
Debt service funds	<u>-</u>	<u>11,005</u>	<u>-</u>	<u>11,005</u>
<b>TOTAL FUND BALANCES</b>	<b><u>122,078</u></b>	<b><u>11,005</u></b>	<b><u>47,646</u></b>	<b><u>180,729</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$152,783</u></b>	<b><u>11,005</u></b>	<b><u>47,646</u></b>	<b><u>211,434</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
 For the Year Ended June 30, 2006

	General Fund	Debt Service Fund	Capital Projects Fund	Total
<b>Revenues</b>				
Taxes	\$195,591	-	-	195,591
Licenses and permits	1,540	-	-	1,540
Intergovernmental revenues	113,672	-	-	113,672
Charges for services	10,644	-	-	10,644
Interest	5,296	439	-	5,735
Miscellaneous revenue	<u>2,767</u>	<u>-</u>	<u>-</u>	<u>2,767</u>
<b>Total revenues</b>	<b><u>329,511</u></b>	<b><u>439</u></b>	<b><u>-</u></b>	<b><u>329,950</u></b>
<b>Expenditures</b>				
General government	119,277	-	-	119,277
Public safety	21,810	-	-	21,810
Highways & public improvements	17,527	-	-	17,527
Parks, recreation & public property	7,005	-	-	7,005
Capital outlay	<u>58,215</u>	<u>-</u>	<u>45,730</u>	<u>103,945</u>
<b>Total expenditures</b>	<b><u>223,833</u></b>	<b><u>-</u></b>	<b><u>45,730</u></b>	<b><u>269,563</u></b>
<b>Excess (Deficiency) of Revenues over (Under) Expenditures</b>	<b><u>105,678</u></b>	<b><u>439</u></b>	<b><u>(45,730)</u></b>	<b><u>60,386</u></b>
<b>Other Financing Sources and (Uses)</b>				
Transfers in	-	813	64,000	64,813
Transfers (out)	<u>(64,813)</u>	<u>-</u>	<u>-</u>	<u>(64,813)</u>
<b>Total other financing sources and (uses)</b>	<b><u>(64,813)</u></b>	<b><u>813</u></b>	<b><u>64,000</u></b>	<b><u>-</u></b>
<b>Net Change in Fund Balances</b>	<b>40,864</b>	<b>1,252</b>	<b>18,270</b>	<b>60,386</b>
Fund balances - beginning of year	<u>81,214</u>	<u>9,753</u>	<u>29,376</u>	<u>120,342</u>
<b>Fund Balances - end of year</b>	<b><u>\$122,078</u></b>	<b><u>11,005</u></b>	<b><u>47,646</u></b>	<b><u>180,729</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS**  
June 30, 2006

**Total Fund Balances for Governmental Funds** **\$ 180,729**

Total net assets reported for governmental activities in the statement  
is different because:

Capital assets used in governmental funds are not financial resources and  
therefore are not reported in the funds.

Capital assets, at cost	4,178,076
Less accumulated depreciation	<u>(1,954,098)</u>
<b>Net capital assets</b>	<b><u>2,223,977</u></b>

Certain revenue is deferred in governmental funds but not in the  
statement of net assets because it qualifies for recognition under the  
economic resources measurement focus.

**Delinquent property tax deferred in the funds but not in government-wide** **4,426**

**Total Net Assets of Governmental Activities** **\$ 2,409,132**

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES**  
June 30, 2006

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b><u>\$60,386</u></b>
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with a material cost are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expenses.

Capital outlays	103,945
Depreciation expense	<u>(128,067)</u>
Net	<u>(24,122)</u>

<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$36,264</u></b>
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The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS**  
June 30, 2006

	<u>Utility Fund</u>	<u>Housing Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 166,220	19,735	185,954
Receivables, net	20,515	-	20,515
Other current assets	339	-	339
<b>Total current assets</b>	<b><u>187,074</u></b>	<b><u>19,735</u></b>	<b><u>206,809</u></b>
Non-current assets:			
Restricted cash and cash equivalents	162,435	-	162,435
Capital assets:			
Not being depreciated	33,552	5,020	38,572
Net of accumulated depreciation	<u>934,894</u>	<u>387,444</u>	<u>1,322,338</u>
<b>Total non-current assets</b>	<b><u>1,130,881</u></b>	<b><u>392,464</u></b>	<b><u>1,523,345</u></b>
<b>TOTAL ASSETS</b>	<b><u>1,317,955</u></b>	<b><u>412,199</u></b>	<b><u>1,730,154</u></b>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	13,780	1,055	14,835
Customer security deposits	7,022	-	7,022
Long-term debt due currently	<u>54,150</u>	<u>6,875</u>	<u>61,025</u>
<b>Total current liabilities</b>	<b><u>74,952</u></b>	<b><u>7,930</u></b>	<b><u>82,882</u></b>
Non-current liabilities:			
Long-term debt, net of current	<u>45,940</u>	<u>379,890</u>	<u>425,830</u>
<b>Total non-current liabilities</b>	<b><u>45,940</u></b>	<b><u>379,890</u></b>	<b><u>425,830</u></b>
<b>TOTAL LIABILITIES</b>	<b><u>120,892</u></b>	<b><u>387,820</u></b>	<b><u>508,712</u></b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	868,356	5,699	874,055
Restricted for:			
Debt service requirements	105,951	-	105,951
Repair and replacement	49,462	-	49,462
Unrestricted	<u>173,294</u>	<u>18,660</u>	<u>191,974</u>
<b>TOTAL NET ASSETS</b>	<b><u>1,197,063</u></b>	<b><u>24,379</u></b>	<b><u>1,221,442</u></b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$1,317,955</u></b>	<b><u>412,199</u></b>	<b><u>1,730,154</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
For the Year Ended June 30, 2006

	<u>Utility</u>	<u>Housing</u>	<u>Total</u>
<b>Operating revenues:</b>			
Water service revenue	\$ 117,027	-	117,027
Sewer service revenue	40,075	-	40,075
Garbage service revenues	33,040	-	33,040
Other operating income	-	<u>28,789</u>	<u>28,789</u>
<b>Total operating revenues</b>	<b><u>190,142</u></b>	<b><u>28,789</u></b>	<b><u>218,931</u></b>
<b>Operating expense:</b>			
Operation salaries and wages	40,986	6,051	47,036
Water purchases	34,875	-	34,875
Repair and maintenance	15,345	759	16,104
Landfill and garbage fees	32,011	-	32,011
Utilities and office expense	3,145	7,307	10,452
Other administrative expense	7,305	6,086	13,391
Depreciation expense	<u>55,199</u>	<u>6,666</u>	<u>61,865</u>
<b>Total operating expense</b>	<b><u>188,864</u></b>	<b><u>26,869</u></b>	<b><u>215,734</u></b>
<b>Net operating income (loss)</b>	<b><u>1,278</u></b>	<b><u>1,920</u></b>	<b><u>3,198</u></b>
<b>Non-operating revenues (expenses):</b>			
Grants received	2,164	-	2,164
Gain (loss) on retirement of assets	50,000	-	50,000
Interest income	7,860	284	8,145
Interest on debt	<u>(2,031)</u>	-	<u>(2,031)</u>
<b>Total non-operating revenues (expenses)</b>	<b><u>57,993</u></b>	<b><u>284</u></b>	<b><u>58,277</u></b>
<b>Net income (loss)</b>	<b>58,957</b>	<b>2,184</b>	<b>61,475</b>
<b>Net assets, beginning</b>	<b><u>1,137,793</u></b>	<b><u>22,175</u></b>	<b><u>1,159,967</u></b>
<b>Net assets, ending</b>	<b><u>\$1,196,749</u></b>	<b><u>24,379</u></b>	<b><u>1,221,442</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
For the year ending June 30, 2006

	Utility Fund	Housing Fund	Total
Cash flows from operating activities:			
Cash received from customers - service	\$187,928	28,789	216,717
Cash paid suppliers	(84,386)	(14,570)	(98,956)
Cash paid to employees	(40,986)	(6,051)	(47,036)
<b>Net cash provided (used) in operating activities</b>	<b><u>62,556</u></b>	<b><u>8,169</u></b>	<b><u>70,725</u></b>
Cash flows from noncapital financing activities:			
Change in customer deposits	1,125	-	1,125
<b>Net cash provided (used) in noncapital financing activities</b>	<b><u>1,125</u></b>	<b><u>-</u></b>	<b><u>1,125</u></b>
Cash flows from capital and related financing activities:			
Cash received from capital grants	2,164	-	2,164
Cash received from sale of land	50,000	-	50,000
Cash payments for construction and acquisition of plant	(3,252)	-	(3,252)
Cash payments for long-term debt principal	(27,000)	(6,875)	(33,875)
Cash payments for long-term debt interest	(2,031)	-	(2,031)
<b>Net cash provided (used) in capital and related financing activities</b>	<b><u>19,881</u></b>	<b><u>(6,875)</u></b>	<b><u>13,006</u></b>
Cash flows from investing activities:			
Cash received from interest earned	7,860	284	8,145
(Increase) decrease in debt reserves	(23,378)	-	(23,378)
<b>Net cash provided (used) in investing activities</b>	<b><u>(15,518)</u></b>	<b><u>284</u></b>	<b><u>(15,233)</u></b>
<b>Net increase (decrease) in cash</b>	<b><u>68,044</u></b>	<b><u>1,578</u></b>	<b><u>69,622</u></b>
Cash balance, beginning	98,176	18,157	116,332
<b>Cash balance, ending</b>	<b><u>\$166,220</u></b>	<b><u>19,735</u></b>	<b><u>185,954</u></b>

(Continued on next page)

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS, continued**  
For the year ended June 30, 2006

**Reconciliation of Operating Income  
to Net Cash Provided from Operating Activity:**

	Utility Fund	Housing Fund	<u>Total</u>
<b>Net operating income (expense)</b>	<b>\$ <u>1,278</u></b>	<b><u>1,920</u></b>	<b><u>3,198</u></b>
Adjustments to reconcile operating income or (loss) to net cash provided (used) in operating activities			
Depreciation and amortization	55,199	6,666	61,865
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(2,215)	-	(2,215)
(Increase) decrease in prepaid expense	-	1,179	1,179
Increase (decrease) in accounts payable - operations	<u>8,293</u>	<u>(1,595)</u>	<u>6,698</u>
<b>Net cash provided in operating activity</b>	<b><u>\$62,556</u></b>	<b><u>8,169</u></b>	<b><u>70,725</u></b>

The notes to the financial statements are an integral part of this statement.

Myton City Corporation  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2006

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1-A. Reporting entity**

Myton City Corporation (the City), a municipal corporation located in Duchesne County, operates under a Mayor-Council form of government. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

The City has no component units and is not a component unit of another entity.

**1-B. Government-wide and fund financial statements**

*Government-wide Financial Statements*

The government-wide financial statements, consisting of the statement of net assets and the statement of changes in net assets report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expenses are not allocated. All expenses are included in the applicable function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privilege provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

*Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if any, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statement.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting and financial statement presentation**

The financial statements of the City are prepared in accordance with generally accepted accounting principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The City's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting, generally including the reclassification of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments or payments to the general fund by other funds for providing administrative and billing services for such funds. Reimbursements are reported as reductions to expenses. Proprietary and any fiduciary fund financial statements are also reported using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when the grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, intergovernmental revenues, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments, if any, receivable within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating income and expense reported in proprietary fund financial statements include those revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services, including administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-C. Measurement focus, basis of accounting, and financial statement presentation  
(continued)**

*Policy regarding use of restricted resources*

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities. *Restricted assets, non-current* reports assets restricted for acquisition or construction of non-current assets, or are restricted for liquidation of long-term debt.

**1-D. Fund types and major funds**

*Governmental funds*

**The City reports the following major governmental funds:**

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects fund* is the government's fund to account for capital projects and overhead that can be submitted to grantor for reimbursement.

*Proprietary funds*

**The City reports the following major proprietary funds:**

The *utility fund* is used to account for the activities regarding culinary water distribution, the operations of the sewer system, and the collection and disposal of garbage.

The *housing fund* is used to account for the operations of the City's housing projects.

**1-E. Assets, Liabilities, and Net Assets or Equity**

**1-E-1. Deposit and Investments**

Investments are reported at fair value. Deposits are reported at cost, which approximates fair value. Investments of the City are accounts at the Utah Public Treasurers Investments Fund. Additional information is contained in Note 2.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-2. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**1-E-3. Receivables and Payables**

Accounts receivable other than property taxes and intergovernmental receivables are from customers primarily for utility services. Property tax and intergovernmental receivables are considered collectible. Customer accounts are reported net of an allowance for uncollectible accounts. The allowance amount is estimated using accounts receivable past due more than 90 days.

During the course of operations, there may be transactions occur between funds that are representative of lending/borrowing arrangements outstanding at year-end. These are reported as either *due to or due from other funds*.

Property taxes are assessed and collected for the City by Duchesne County and remitted to the City shortly after collection. Property taxes become a lien on January 1 and are levied on the first Monday in August. Taxes are due and payable on November 1, and are delinquent after November 30. All dates are in the year of levy.

**1-E-4. Restricted Assets**

In accordance with certain revenue bond covenants, resources may be required to be set aside for the repayment of such bonds, and, on occasion, for the repair and maintenance of the assets acquired with the bond proceeds. These resources are classified as restricted assets on the balance sheet because of their limited use. Most capital grant agreements mandate that grant proceeds be spent only on capital assets. Unspent resources of this nature are also classified as restricted. The limited use resources described above involve a reported restriction of both cash and net assets.

Unspent proceeds of bonds issued to finance capital assets are also reported as restricted cash.

**1-E-5. Inventories and Prepaid items**

Inventories in governmental funds are not reported. These consist of immaterial amounts of expendable supplies for consumption. Such supplies are acquired as needed. Proprietary fund inventories, where material, are stated at the lower of cost or market, using the first-in first-out basis.

Prepaid items record payments to vendors that benefit future reporting and are reported on the consumption basis. Both inventories and prepayments are similarly reported in government-wide and fund financial statements.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-6. Capital Assets**

Capital assets includes property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual significant cost and an estimated useful life in excess of two years. Such assets are recorded at historical cost or at estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure is depreciated.

The cost of normal maintenance and repairs that does not add to the value of an asset or materially extend the assets' life is not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Upon retirement or disposition of capital assets, the cost and related accumulated depreciation are removed from the respective accounts. Depreciation of capital assets is computed using the straight-line method over their estimated useful lives.

Property, plant, and equipment of the primary government, as well as the component units if any, is depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Improvements	10-40
Water system	40
Sewer system	40
Infrastructure	25
Vehicles and equipment	5-10

**1-E-7. Long-term Obligations**

In the government-wide and proprietary fund financial statements, long-term debt and obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are deferred and amortized over the terms of the respective bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Significant or material bond issuance costs are reported as deferred charges.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**1-E. Assets, Liabilities, and Net Assets or Equity (continued)**

**1-E-8. Fund Equity**

The proprietary fund financial statements report reserved net assets for amounts not available for appropriation or legally restricted for specified purposes. The Utility Fund has bond related reserve requirements that total \$105,951 and repair and replacement reserve requirements that total \$49,462.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**2-A. Budgetary data**

Annual budgets are prepared and adopted by ordinance by total for each department, in accordance with State law, by the Mayor and City Council on or before June 22 for the following fiscal year beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund. The level of the City's budgetary control (the level at which the City's expenditures cannot legally exceed appropriations) is established at the department level. Each department head is responsible for operating within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unreserved General Fund balance to an amount less than 5% of the General Fund revenues. The 5% reserve that cannot be budgeted is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. Any unreserved General Fund balance greater than 18% of the next year's budgeted revenues must be appropriated within the following two years.

Once adopted, the budget may be amended by the City Council without hearing provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held if the budgeted expenditures will exceed budgeted revenues and any fund balance which is available for budgeting. With the consent of the Mayor, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year. Budgets for the General Fund are prepared on the modified accrual basis of accounting. Encumbrances are not used.

**2-B. Deficit fund net assets**

None of the City's funds have deficit balances.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 3 - DETAILED NOTES**

**3-A. Deposits and investments**

Cash and investments as of June 30, 2006 consist of the following:

	<u>Fair Value</u>
Cash on hand	\$ 50
Demand deposits - checking	81,686
Savings	27,405
Investments - PTIF	<u>394,990</u>
<b>Total cash and investments</b>	<b><u>\$504,131</u></b>

Cash and investments listed above are classified in the accompanying government-wide statement of net assets as follows:

Cash and cash equivalents	\$341,696
Restricted cash and cash equivalents	<u>162,435</u>
<b>Total cash and cash equivalents</b>	<b><u>\$504,131</u></b>

Cash equivalents and investments are carried at fair value in accordance with GASB Statement No. 31.

The Utah Money Management Act (UMMA) establishes specific requirements regarding deposits of public funds by public treasurers. UMMA requires that city funds be deposited with a qualified depository which includes any depository institution which has been certified by the Utah State Commissioner of Financial Institutions as having met the requirements specified in UMMA Section 51, Chapter 7. UMMA provides the formula for determining the amount of public funds which a qualified depository may hold in order to minimize risk of loss and also defines capital requirements which an Institution must maintain to be eligible to accept public funds. UMMA lists the criteria for investments and specifies the assets which are eligible to be invested in, and for some investments, the amount of time to maturity.

UMMA enables the State Treasurer to operate the Public Treasurer's Investment Pool (PTIF). PTIF is managed by the Utah State Treasurer's investment staff and comes under the regulatory authority of the Utah Money Management Council. This council is comprised of a select group of financial professionals from units of local and state government and financial institutions doing business in the state. PTIF operations and portfolio composition is monitored at least semi-annually by the Utah Money Management Council. PTIF is unrated by any nationally recognized statistical rating organizations. Deposits in PTIF are not insured or otherwise guaranteed by the State of Utah. Participants share proportionally in any realized gains or losses on investments which are recorded on an amortized cost basis. Maturity for PTIF investments is less than one year, and the balance available for withdrawal is based on the accounting records maintained by PTIF. The fair value of the investment pool is approximately equal to the value of the pool shares. The City maintains monies not immediately needed for expenditure in PTIF accounts.

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-A. Deposits and investments (continued)**

**Deposit and Investment Risk**

The City maintains no investment policy containing any specific provisions intended to limit the City's exposure to interest rate risk, credit risk, and concentration of credit risk other than that imposed by UMMA. The City's compliance with the provisions of UMMA addresses each of these risks.

**Interest rate risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. All deposits and investments of the City are available immediately.

**Credit risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligations. Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. All of the City's demand and savings deposits are covered by FDIC insurance.

Custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. This risk is addressed through the policy of investing excess monies only in PTIF.

**Concentration of credit risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. PTIF falls under the constraints of UMMA in limiting concentrations of investments.

**3-B. Receivables**

The allowance policy is described in Note 1-E-3. Receivables as of year end for the City's funds are shown below:

	General Fund	Utility Fund	Housing Fund	Total
Property taxes	\$17,945	-	-	17,945
Customers, current	2,334	32,944	2,401	37,679
Customers, non-current	-	-	-	-
Intergovernmental	35,413	339	-	35,752
<b>Total receivables</b>	<b>55,692</b>	<b>33,283</b>	<b>2,401</b>	<b>91,376</b>
Allowance for uncollectibles	-	(12,429)	(2,401)	(14,830)
<b>Net receivables</b>	<b><u>\$55,692</u></b>	<b><u>20,854</u></b>	<b><u>-</u></b>	<b><u>76,546</u></b>

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital Assets**

Capital asset activity for the governmental activities was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and rights	\$ 5,469	-	-	5,469
Construction in progress	<u>17,840</u>	<u>17,315</u>	-	<u>35,156</u>
<b>Total capital assets, not being depreciated</b>	<b><u>23,309</u></b>	<b><u>17,315</u></b>	<b>-</b>	<b><u>40,625</u></b>
Capital assets, being depreciated:				
Buildings	251,908	-	-	251,908
Improvements other than buildings	240,365	35,541	-	275,906
Machinery and equipment	278,330	5,358	-	283,689
Infrastructure	<u>3,280,218</u>	<u>45,730</u>	-	<u>3,325,948</u>
<b>Total capital assets, being depreciated</b>	<b><u>4,050,822</u></b>	<b><u>86,629</u></b>	<b>-</b>	<b><u>4,137,451</u></b>
Less accumulated depreciation for:				
Buildings	51,630	6,298	-	57,927
Improvements other than buildings	139,874	6,120	-	145,995
Machinery and equipment	96,616	21,113	-	117,730
Infrastructure	<u>1,537,911</u>	<u>94,536</u>	-	<u>1,632,447</u>
<b>Total accumulated depreciation</b>	<b><u>1,826,031</u></b>	<b><u>128,067</u></b>	<b>-</b>	<b><u>1,954,098</u></b>
<b>Total capital assets being depreciated, net</b>	<b><u>2,224,791</u></b>	<b><u>(41,438)</u></b>	<b>-</b>	<b><u>2,183,353</u></b>
<b>Governmental activities capital assets, net</b>	<b><u>\$2,248,100</u></b>	<b><u>(24,122)</u></b>	<b>-</b>	<b><u>2,223,977</u></b>

Depreciation expense was charged to functions/programs of the primary government governmental activities as follows:

<b>Governmental Activities:</b>	
General government	\$ 1,368
Public safety	23,483
Highways and streets	96,736
Parks, recreation and public property	<u>6,480</u>
<b>Total</b>	<b><u>\$128,067</u></b>

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-C. Capital assets, continued**

Capital asset activity for business-type activities was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and water shares	\$ <u>38,572</u>	—	—	<u>38,572</u>
<b>Total capital assets, not being depreciated</b>	<u>38,572</u>	—	—	<u>38,572</u>
Capital assets, being depreciated:				
Water system	947,871	3,252	111	951,012
Sewer system	1,120,297	—	—	1,120,297
General plant	127,813	—	—	127,813
Buildings	<u>399,943</u>	—	—	<u>399,943</u>
<b>Total capital assets being depreciated</b>	<u>2,595,924</u>	<u>3,252</u>	<u>111</u>	<u>2,599,064</u>
Less accumulated depreciation for:				
Water system	579,280	20,904	111	600,073
Sewer system	612,591	24,285	—	636,877
General plant	17,268	10,010	—	27,278
Buildings	<u>5,833</u>	<u>6,666</u>	—	<u>12,499</u>
<b>Total accumulated depreciation</b>	<u>1,214,972</u>	<u>61,865</u>	<u>111</u>	<u>1,276,726</u>
<b>Total capital assets being depreciated, net</b>	<u>1,380,952</u>	<u>(58,614)</u>	—	<u>1,322,338</u>
<b>Business-type activities capital assets, net</b>	<u>\$1,419,524</u>	<u>(58,614)</u>	—	<u>1,360,910</u>

Depreciation expense was charged to functions/programs of the primary government business-type activities as follows:

<b>Business-Type Activities:</b>	
Water	\$30,914
Sewer	24,285
Housing	<u>6,666</u>
<b>Total</b>	<u>\$61,865</u>

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**3-D. Long-term debt (continued)**

	<u>Original Principal</u>	<u>% Rate</u>	<u>6/30/2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/2006</u>	<u>Due Within One Year</u>
<b><u>Business-type activities:</u></b>							
GO Water and Sewer 1993A	\$250,000	5.50	\$ 52,000	-	25,000	27,000	27,000
Restructured BOWR Loan 1993C	99,090	-	75,090	-	2,000	73,090	27,150
Olene Walker Housing Bond 1	275,000	-	268,698	-	6,875	261,823	6,875
Olene Walker Housing Bond 2	124,943	-	<u>124,943</u>	<u>-</u>	<u>-</u>	<u>124,943</u>	<u>-</u>
<b>Total business-type activity long-term liabilities</b>			<b><u>\$520,731</u></b>	<b><u>-</u></b>	<b><u>33,875</u></b>	<b><u>486,856</u></b>	<b><u>61,025</u></b>

All bonds are revenue bonds secured by the revenues of the water system.

Revenue bond debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 61,025	743	61,768
2008	33,625	0	33,625
2009	26,065	0	26,065
2010	6,875	0	6,875
2011	6,875	0	6,875
2012-2016	34,375	0	34,375
2017-2021	34,375	0	34,375
2022-2026	34,375	0	34,375
2027-2031	34,375	0	34,375
2032-2036	34,375	0	34,375
2037-2041	34,375	0	34,375
2042-2063	<u>146,139</u>	<u>0</u>	<u>146,139</u>
<b>Total</b>	<b><u>\$486,856</u></b>	<b><u>743</u></b>	<b><u>487,598</u></b>

Myton City Corporation  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2006

**NOTE 4 - OTHER INFORMATION**

**4-A. Risk management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the Utah Local Government Trust, a public agency insurance mutual, which provides coverage for property damage and general liability. The City is subject to a minimal deductible for claims. There have been no significant reductions in insurance coverage from coverage in the prior year. Amounts of settlements have not exceeded insurance coverage in any of the past three fiscal years.

**4-B. Employee pension and other benefit plans**

**Plan Description:**

The City contributes to the Local Governmental Noncontributory Retirement System (Noncontributory System) and Public Safety Retirement System (Public Safety System) for employers with (without) Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living adjustments, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

**Funding Policy:**

The City is required to contribute 11.09% of covered salary to the Local governmental Noncontributory Retirement System. The contribution rate is that actuarially determined rate and is approved by the Board as authorized by Chapter 49

The City's contributes to the Local Governmental Noncontributory Retirement System for the years ending June 30, 2006, 2005 and 2004 were \$4,902, \$4,853, and \$0, respectively. The contributions were equal to the required contributions for each year.

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**REQUIRED SUPPLEMENTAL INFORMATION**  
**(Unaudited)**

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Myton City Corporation  
**Notes to Required Supplementary Information**  
June 30, 2006

**Budgetary Comparison Schedules**

The Budgetary Comparison Schedules presented in this section of the report are for the City's General Fund.

**Budgeting and Budgetary Control**

Budgets for the General Fund are legally required and are prepared and adopted on the modified accrual basis of accounting.

Original budgets represent the revenue estimates and spending authority authorized by the City Council prior to the beginning of the year. Final budgets represent the original budget amounts plus any amendments made to the budget during the year by the Council through formal resolution. Final budgets do not include unexpended balances from the prior year because such balances automatically lapse to unreserved fund balance at the end of each year.

**Current Year Excess of Expenditures over Appropriations**

For the year ended June 30, 2006, spending for all funds and departments of the City was within the approved budgets.

Myton City Corporation  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES -BUDGET AND ACTUAL-GENERAL FUND**  
For the Year Ended June 30, 2006

	<u>Budgeted Original</u>	<u>Budgeted Final</u>	<u>Actual</u>	<u>Variance with Final Budget Under (Over)</u>
<b>Revenues</b>				
Taxes	\$101,286	101,286	195,591	(94,305)
Licenses and permits	1,300	1,300	1,540	(240)
Intergovernmental revenues	178,650	178,650	113,672	64,978
Charges for services	1,800	1,800	10,644	(8,844)
Interest	1,100	1,100	5,296	(4,196)
Miscellaneous revenue	<u>350</u>	<u>350</u>	<u>2,767</u>	<u>(2,417)</u>
<b>Total revenues</b>	<u>284,486</u>	<u>284,486</u>	<u>329,511</u>	<u>(45,025)</u>
<b>Expenditures</b>				
General government	149,294	149,294	119,277	30,017
Public safety	26,170	26,170	21,810	4,360
Highways & public improvements	22,917	22,917	17,527	5,390
Parks, recreation & public property	7,600	7,600	7,005	595
Capital outlay	<u>61,000</u>	<u>61,000</u>	<u>58,215</u>	<u>2,785</u>
<b>Total expenditures</b>	<u>266,981</u>	<u>266,981</u>	<u>223,833</u>	<u>43,148</u>
<b>Excess (Deficiency) of Revenues over (Under Expenditures)</b>	<u>17,505</u>	<u>17,505</u>	<u>105,678</u>	<u>(88,173)</u>
<b>Other Financing Sources and (Uses)</b>				
Transfers in				
Transfers (out)	<u>(64,813)</u>	<u>(64,813)</u>	<u>(64,813)</u>	<u>0</u>
<b>Total other financing sources and (uses)</b>	<u>(64,813)</u>	<u>(64,813)</u>	<u>(64,813)</u>	<u>0</u>
<b>Net Change in Fund Balances</b>	<u>\$(47,308)</u>	<u>(47,308)</u>	40,864	<u>(88,172)</u>
Fund balances - beginning of year			81,214	
<b>Fund Balances - end of year</b>			<u>\$122,078</u>	



# **AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

## **CERTIFIED PUBLIC ACCOUNTANTS**

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### **Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards**

City Council  
Myton, Utah

We have audited the financial statements of Myton City as of and for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instance of noncompliance that is required to be reported under Government Auditing Standards.

#### Internal Control over Financial Reporting

In planning and performing our audit, we considered Myton City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the Board of Directors, audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

**Aycock, Miles & Associates, CPAs**

November 28, 2006



**AYCOCK, MILES & ASSOCIATES, CPAs, P.C.**

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### **Utah State Compliance Report**

City Council  
Myton, Utah

We have audited the general purpose financial statements of Myton City, Utah, for the year ended June 30, 2006, and have issued our report thereon dated November 28, 2006. Our audit included test work on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt  
Purchasing Requirements  
Property Tax

Cash Management  
Budgetary Compliance  
Other Compliance Requirements

As part of our audit, we have audited Myton City's compliance with the requirements governing types of services allowed or disallowed; eligibility; matching, level of effort, or earmarking; special tests and provisions applicable to each of its major State assistance programs as required by the *State of Utah's Legal Compliance Audit Guide* for the year ended June 30, 2006. The City did not receive any major State assistance programs from the State of Utah.

The management of City of Myton is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance.

In our opinion, the Myton City, Utah, complied, in all material respects, with the general and major compliance requirements identified above for the year ended June 30, 2006.

**Aycock, Miles & Associates, CPAs**

November 28, 2006